

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY AND EXHIBITS

OF

MATTHEW P. SCHELLINGER II

June 18, 2014



DOCKET NO. 2014-4-G

**ANNUAL REVIEW OF PURCHASED GAS
ADJUSTMENT AND GAS PURCHASING
POLICIES OF PIEDMONT NATURAL GAS
COMPANY, INC.**

June 18, 2014

Page 1 of 9

DIRECT TESTIMONY OF MATTHEW P. SCHELLINGER II**FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2014-4-G****IN RE: ANNUAL REVIEW OF PURCHASED GAS ADJUSTMENT ("PGA")****AND GAS PURCHASING POLICIES OF PIEDMONT NATURAL GAS****COMPANY, INC.****Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

A. My name is Matthew P. Schellinger II. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the Office of Regulatory Staff ("ORS") in the Audit Department as an Auditor.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Accounting from University of South Florida in 2012. From 2007 to 2013, I was employed as a controller for an insurance agency. In that capacity, I performed general corporate accounting functions on a daily and monthly basis. In February 2013, I began my employment with ORS and since then have participated in cases dealing with the regulation of nuclear waste, gas, electric, water and wastewater. This is my first time testifying before this commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING PIEDMONT NATURAL GAS COMPANY, INC.?

June 18, 2014

Page 2 of 9

A. The purpose of my testimony is to set forth findings resulting from ORS's examination of Piedmont Natural Gas Company, Inc.'s ("Company" or "Piedmont") deferred account #253.04, inventory calculations, and account #191.01 - deferred account hedging program, for the period of April 2013 through March 2014 ("review period").

Q. IN CONNECTION WITH YOUR TESTIMONY, DID YOU PREPARE OR CAUSE TO BE PREPARED ANY EXHIBITS?

A. Yes, the Audit Department prepared Audit Exhibit MPS-1, titled "Account #253.04 Analysis Summary;" Audit Exhibit MPS-2, titled "Storage Inventory Activity;" and Audit Exhibit MPS-3, titled "Risk Management - Hedging Program (Gain)/Loss Recognized and Other Expenses," in connection with this testimony. These exhibits were prepared by me or under my direction and supervision.

Q. UNDER WHAT AUTHORITY DOES ORS MONITOR THE ACTIVITY IN PIEDMONT'S DEFERRED ACCOUNT #253.04?

A. In Docket Nos. 83-126-G and 86-217-G, Order No. 88-294, the Public Service Commission of South Carolina ("Commission") found that:

- (1) A true-up for differences between billed and filed rates is appropriate and necessary to ensure that Piedmont's customers pay no more than Piedmont's actual cost of gas.
- (2) A true-up of demand charges for changes in sales volumes is appropriate and necessary to ensure that Piedmont's customers pay no more than Piedmont's actual cost of gas.
- (3) The Company is to maintain an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred from month

June 18, 2014

Page 3 of 9

1 to month. The Company is also required to file, with the Commission, a report on
2 a monthly basis showing the status of this deferred account.

3 Additionally, with the issuance of Order No. 2002-223 dated March 26, 2002 in
4 Docket No. 2001-410-G, the Company is required to file regular reports on the status of
5 the hedging program and the results of its hedging activities.

6 **Q. HAS ORS EXAMINED THE COMPANY'S DEFERRED ACCOUNT?**

7 **A.** Yes. ORS has examined the activities included in deferred account #253.04. In
8 addition, ORS has examined the Company's gas storage inventory accounts and account
9 #191.01 - deferred account hedging program, for the review period.

10 **Q. PLEASE EXPLAIN AUDIT EXHIBIT MPS-1.**

11 **A.** Audit Exhibit MPS-1 presents, for each month of the review period under
12 examination, the components which comprise the Company's (over)/under collection in
13 deferred account #253.04. These components are:

14 **Commodity True-Up** - These amounts represent the difference in the Company's actual
15 gas costs on a monthly basis as compared to the benchmark cost of gas included in the
16 Company's Gas Cost Recovery Mechanism ("GCRM") filings during the review period.
17 The Company's benchmark cost of gas at the beginning of the review period was \$3.00
18 per dekatherm, established as a result of the Company filing GCRM #135, effective the
19 first billing cycle in February 2013. The Company's benchmark cost of gas at the end of
20 the review period was \$4.00 per dekatherm, established as a result of the Company filing
21 GCRM #138, effective the first billing cycle in February 2014. In accordance with Order
22 No. 2010-250 dated March 30, 2010, the Company includes unbilled volumes in its
23 commodity true-up calculations in order to achieve a better matching of gas cost

June 18, 2014

Page 4 of 9

collections versus actual gas costs in the months they occur. South Carolina's portion of commodity true-up for the review period decreased the over collection by \$2,502,302.

Demand True-Up - These amounts represent the (over)/under collection of demand charges incurred by the Company as compared to demand charges billed and collected from customers. In accordance with Order No. 2010-250 dated March 30, 2010, the Company includes unbilled volumes in its demand true-up calculations in order to achieve a better matching of gas cost collections versus actual gas costs in the months they occur. The design day factor for allocation of demand charges to South Carolina changed from 16.01% to 14.92%, effective January 1, 2014, due to North Carolina Utilities Commission Docket No. G-9 Sub 631, Order dated December 17, 2013. The methodology used to calculate the design day factor for demand allocation of 14.92% is in compliance with Commission Docket No. 2003-251-G, Order No. 2004-501, dated October 15, 2004. Demand true-up for the review period increased the over collection by \$1,066,364.

Negotiated Losses - In competition with alternate fuels, the Company's GCRM allows it to maintain its industrial load by selling gas at less than the approved tariff, resulting in margin losses. Negotiated losses for the review period decreased the over collection by \$1,052,024.

Secondary Market Sharing - Effective with rates approved in Docket No. 2002-63-G, Order No. 2002-761 dated November 1, 2002, the Company credits 75% of the margin from off-system sales and capacity release transactions to deferred account #253.04. The remaining 25% is retained by the Company. Additionally, the Order provided that capacity release credits and off-system sales would be allocated to South Carolina using

June 18, 2014

Page 5 of 9

1 the same design day methodology approved for fixed demand costs. Shared margins and
2 capacity release credits for the review period increased the over collection by
3 \$10,570,490. It should be noted that in compliance with Order No. 95-1461 dated
4 August 22, 1995, issued in Docket No. 95-160-G, the Company is properly reporting
5 capacity release activity. These capacity release credits totaling \$2,765,402 are included
6 in the total of \$10,570,490 listed above for secondary market sharing.

7 **Weather Normalization** - In compliance with Order No. 95-1649 dated November 7,
8 1995, issued in Docket No. 95-715-G, the Company began recording in deferred account
9 #253.04 weather normalization effective for the winter heating season of November
10 through March. The weather normalization adjustment is designed to increase or
11 decrease the margin component of the rate based on a comparison of actual weather
12 conditions during the period, to normal weather conditions. Weather normalization
13 adjustments for the review period increased the over collection by \$2,258,105 as a result
14 of colder than normal weather for the 2013-2014 heating season.

15 **Uncollectible** - In Docket No. 2006-4-G, Order No. 2006-527 dated October 11, 2006,
16 the Commission approved the Company's request to remove uncollectible gas cost
17 expense from its cost of service and authorized the recovery of these costs through the
18 Company's gas cost deferred account #253.04. Under this revised methodology, the
19 commodity cost of gas portion of uncollectible accounts is now a component of deferred
20 account #253.04. The balance of the uncollectible accounts expensed, including the
21 Company's margin, will be recovered through their Rate Stabilization Act filing. The
22 uncollectible gas cost adjustment decreased the over collection during the review period
23 by \$314,307.

June 18, 2014

Page 6 of 9

1 **Supplier Refunds** - The Company received supplier refunds totaling \$11,709,448 during
2 the review period. South Carolina's allocation of these refunds resulted in an increase to
3 the over collection of \$1,749,053.

4 **Hedging Activity Transfer** - In Docket No. 2006-4-G, Order No. 2006-527, dated
5 October 11, 2006, the Commission authorized the Company to transfer the balance of its
6 cumulative hedging gains or losses to deferred account #253.04 on a monthly basis,
7 effective November 1, 2006. Transfer of the monthly hedging gains and losses to
8 deferred account #253.04 for the review period resulted in an increase to the over
9 collection of \$776,800.

10 **Interest** - In Docket No. 2009-4-G, Order No. 2009-579 the Commission ordered that,
11 effective September 1, 2009, the interest rate to calculate (over)/under collection balances
12 to be the rate of interest as of the first day of each month for 10-year United States
13 Government Treasury Bills, plus an all-in spread of 65 basis points (.65 percentage
14 points). It also ordered that interest not be accrued on (over)/under collection balances
15 which exceed \$20 million in the deferred account. Total accrued interest for the review
16 period resulted in a decrease to the over collection of \$107,766.

17 **Q. WHAT IS INCLUDED IN AUDIT EXHIBIT MPS-2, STORAGE INVENTORY**
18 **ACTIVITY?**

19 **A.** During our examination, the Company provided ORS with detailed inventory
20 calculations of its underground and liquefied natural gas ("LNG") storage facilities. ORS
21 accumulated the various inventory levels by storage location in total, and included a
22 summary of them in Audit Exhibit MPS-2, for Commission consideration.

June 18, 2014

Page 7 of 9

1 The Company has contracted with six (6) underground storage facilities. Four (4)
2 of these facilities are on the Transco System. They include General Storage Service and
3 General Storage Service - Dominion located in Pennsylvania, Washington Storage
4 Service located in Louisiana, and Eminence Storage Service located in Mississippi. The
5 fifth and sixth underground storage facilities are on the Columbia Gas Transmission
6 System. The fifth is Firm Storage Service, which is owned by Columbia Gas
7 Transmission Corporation and operated by Columbia Gas Storage, with facilities in
8 Pennsylvania, Virginia, and West Virginia. The sixth is Hardy Storage Company, located
9 in West Virginia, which is jointly owned by Columbia Gas Transmission Corporation and
10 Piedmont. Audit Exhibit MPS-2, "Total Underground" section, details the inventory
11 activities of these underground facilities in total. The inventory located in the six (6)
12 underground facilities at the beginning of the review period totaled 6,060,321 dekatherms
13 at a total cost of \$23,439,156 or a weighted average cost of \$3.8676 per dekatherm. The
14 net inventory increased during the review period resulting in an ending inventory balance
15 in the underground facilities of 6,915,417 dekatherms at a total cost of \$28,638,773 or a
16 weighted average cost per dekatherm of \$4.1413. During its examination, ORS obtained
17 verification from the storage facility operators of the volumes stored in each of these
18 facilities at the close of the review period.

19 Audit Exhibit MPS-2 also contains a section titled "Total LNG" which is a
20 summary of the various LNG inventories maintained by the Company, including Pine
21 Needle. Pine Needle is an LNG facility located in Guilford County, North Carolina and
22 is jointly owned by Piedmont, Transco and several other utilities and/or investors.
23 Inventory is also stored at the Company's LNG facilities located at LNG-Huntersville

June 18, 2014

Page 8 of 9

1 near Charlotte, North Carolina and at LNG-Bentonville in Four Oaks, North Carolina.
2 Piedmont also has inventory at the Transco LNG facility located in Carlstadt, New
3 Jersey. Piedmont's records indicated LNG inventory located in these facilities at the
4 beginning of the review period totaled 1,817,542 dekatherms at a total cost of
5 \$8,855,585, or a weighted average cost of \$4.8723 per dekatherm. The net inventory
6 decreased during the review period resulting in an ending LNG inventory balance for
7 these three facilities of 1,431,336 dekatherms at a total cost of \$7,059,101 or a weighted
8 average cost per dekatherm of \$4.9318. During its examination, ORS verified the
9 calculation of ending inventory balances and the injections and withdrawals to the daily
10 storage activity worksheets for each facility.

11 **Q. WHAT IS INCLUDED ON AUDIT EXHIBIT MPS-3, RISK MANAGEMENT-**
12 **HEDGING PROGRAM?**

13 **A.** Audit Exhibit MPS-3 details the results of the Company's hedging program for
14 the review period. Order No. 2002-223 dated March 26, 2002 approved the Company's
15 experimental natural gas hedging program.

16 In Docket No. 2006-4-G, Order No. 2006-527, effective November 1, 2006, the
17 Commission authorized the Company to transfer the balance of its cumulative hedging
18 gains or losses to account #253.04 on a monthly basis. Monthly net hedging gains or
19 losses before interest were transferred to deferred account #253.04 and included as part of
20 the interest calculation. Total hedging activity for the review period resulted in an
21 increase in the over collection in account #253.04 of \$776,800.

22 As indicated on Audit Exhibit MPS-3, the cumulative loss at the end of the review
23 period for the hedging program is \$38,568,547.

June 18, 2014

Page 9 of 9

1 **Q. WHAT ARE ORS'S FINDINGS REGARDING PIEDMONT'S DEFERRED**
2 **ACCOUNT #253.04?**

3 **A.** Based on our examination, it is the opinion of ORS that the over collection
4 balance in deferred account #253.04 at March 31, 2014 of \$9,670,461, shown on
5 Company witness Thornton's Exhibit__(RLT-1), is accurately stated.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A.** Yes.

AUDIT EXHIBIT MPS-1

**PIEDMONT NATURAL GAS COMPANY, INC.
ACCOUNT #253.04 ANALYSIS SUMMARY
FOR TWELVE MONTHS ENDED MARCH 31, 2014**

| Month | 2013 | | | | | | | | | | | | 2014 | | | Total |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--|--|----|-------|
| | April | May | June | July | August | September | October | November | December | January | February | March | | | | |
| Beginning Balance | \$ 2,773,949 | \$ 4,255,754 | \$ 4,145,722 | \$ 5,383,543 | \$ 6,630,151 | \$ 7,902,440 | \$ 8,893,609 | \$ 9,635,910 | \$ 7,111,471 | \$ 3,514,170 | \$ (5,954,112) | \$ (7,302,577) | \$ | | \$ | \$ |
| Commodity True-Up | 903,521 | (1,128,043) | (168,796) | (205,760) | (244,254) | (305,430) | (358,993) | (1,334,053) | (954,142) | 888,650 | 3,646,983 | 1,762,619 | 2,502,302 | | | |
| Demand True-Up | 683,398 | 1,157,681 | 1,433,457 | 1,451,755 | 1,429,515 | 1,356,144 | 1,111,788 | (944,674) | (1,500,322) | (4,114,515) | (1,738,116) | (1,392,475) | (1,066,364) | | | |
| Negotiated Losses | 38,352 | 47,164 | 55,443 | 57,177 | 56,788 | 59,420 | 59,468 | 147,622 | 160,581 | 143,249 | 99,852 | 126,908 | 1,052,024 | | | |
| Secondary Market Sharing | (180,634) | (212,865) | (207,807) | (218,146) | (212,106) | (223,147) | (255,486) | (333,951) | (633,680) | (5,373,667) | (1,805,059) | (913,942) | (10,570,490) | | | |
| Weather Normalization | 3,661 | 341 | 24 | 33 | 133 | (53) | 8 | (117,091) | (481,290) | (411,711) | (1,085,183) | (166,977) | (2,258,105) | | | |
| Uncollectibles | 25,901 | 48,980 | 62,834 | 32,535 | 64,224 | 33,842 | 24,184 | 5,447 | 83 | (435) | 5,168 | 11,544 | 314,307 | | | |
| Supplier Refunds | 0 | 0 | (581) | 0 | (28,837) | 0 | 0 | 0 | 0 | 0 | 0 | (1,719,635) | (1,749,053) | | | |
| Hedging Activity Transfer | 805 | (33,115) | 50,796 | 112,797 | 186,267 | 47,581 | 136,720 | 28,569 | (204,799) | (596,482) | (453,852) | (52,087) | (776,800) | | | |
| Other Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| Ending Balance Before Interest | 4,248,953 | 4,135,897 | 5,371,092 | 6,613,934 | 7,881,881 | 8,870,797 | 9,611,298 | 7,087,779 | 3,497,902 | (5,950,741) | (7,284,319) | (9,646,622) | | | | |
| Interest | 6,801 | 9,825 | 12,451 | 16,217 | 20,559 | 22,812 | 24,612 | 23,692 | 16,268 | (3,371) | (18,258) | (23,842) | 107,766 | | | |
| Ending Balance | 4,255,754 | 4,145,722 | 5,383,543 | 6,630,151 | 7,902,440 | 8,893,609 | 9,635,910 | 7,111,471 | 3,514,170 | (5,954,112) | (7,302,577) | (9,670,464) | | | | |
| Interest Rate | 2.324% | 2.810% | 3.140% | 3.244% | 3.400% | 3.264% | 3.192% | 3.400% | 3.680% | 3.320% | 3.310% | 3.376% | | | | |
| | | | | | | | | | | | | | Deferred Account #253.04 (Over)/Under-Collection as of 3/31/14 | | | |
| | | | | | | | | | | | | | <u>(\$9,670,464) (1)</u> | | | |

(1) - Variance from Exhibit (RLT-1) of \$3 due to rounding

PIEDMONT NATURAL GAS COMPANY, INC.
STORAGE INVENTORY ACTIVITY
FOR TWELVE MONTHS ENDED MARCH 31, 2014

| | Total Underground Injections | | | | Total Underground Withdrawals | | | | Total Underground Balance | | | |
|-----------|------------------------------|-----------------|----------|--------------|-------------------------------|---------------|--------------|----------|---------------------------|------------|------------|--------------|
| | Gross DTs # | Used/Injected # | Price \$ | Commodity \$ | Injection/Charge \$ | W/D Charge \$ | DTs # | Price \$ | Amount \$ | DTs # | Amount \$ | Wtd. Cost \$ |
| | | | | | | | | | | | | |
| Beg. Bal. | | | | | | | | | | | | |
| Apr-13 | 2,983,931 | (71,131) | 4.0584 | 12,109,996 | 116,429 | 0 | (113,894) | 3.9063 | (444,907) | 6,060,321 | 23,439,156 | 3.8676 |
| May-13 | 3,311,961 | (91,097) | 4.1394 | 13,709,385 | 155,212 | 0 | (46,824) | 4.0429 | (189,305) | 8,859,227 | 35,220,674 | 3.9756 |
| Jun-13 | 2,284,460 | (71,015) | 4.1075 | 9,383,382 | 125,042 | 0 | (35,984) | 4.0474 | (145,642) | 12,033,267 | 48,895,966 | 4.0634 |
| Jul-13 | 2,257,447 | (72,395) | 3.6963 | 8,344,089 | 121,207 | 0 | (501,403) | 4.0391 | (2,025,232) | 14,210,728 | 58,258,748 | 4.0996 |
| Aug-13 | 1,068,716 | (40,757) | 3.4760 | 3,714,899 | 50,606 | 0 | (359,499) | 4.0276 | (1,447,936) | 15,894,377 | 64,698,812 | 4.0705 |
| Sep-13 | 1,181,840 | (33,467) | 3.5195 | 4,159,487 | 51,655 | 0 | (258,302) | 4.0017 | (1,033,637) | 16,562,837 | 67,016,381 | 4.0462 |
| Oct-13 | 894,350 | (22,164) | 3.4486 | 3,084,274 | 52,431 | 0 | (433,002) | 4.0037 | (1,733,619) | 17,452,908 | 70,193,886 | 4.0219 |
| Nov-13 | 715,501 | (13,654) | 3.5732 | 2,556,645 | 25,438 | 0 | (1,537,750) | 3.9805 | (6,121,005) | 17,892,092 | 71,596,972 | 4.0016 |
| Dec-13 | 689,158 | (15,445) | 3.9879 | 2,748,295 | 26,600 | 0 | (1,913,545) | 3.9764 | (7,609,011) | 17,056,189 | 68,058,050 | 3.9902 |
| Jan-14 | 220,847 | (6,238) | 4.6070 | 1,017,432 | 10,576 | 0 | (4,772,740) | 4.0179 | (19,176,618) | 15,816,357 | 63,223,934 | 3.9974 |
| Feb-14 | 307,232 | (7,124) | 5.5444 | 1,703,403 | 11,308 | 0 | (3,477,666) | 4.0590 | (14,115,740) | 11,258,226 | 45,075,324 | 4.0038 |
| Mar-14 | 1,295,581 | (16,473) | 4.7675 | 6,176,636 | 28,957 | 0 | (2,444,359) | 4.1897 | (10,281,115) | 8,080,668 | 32,674,295 | 4.0435 |
| | 17,211,024 | (460,960) | 3.9921 | 68,707,923 | 775,461 | 0 | (15,894,968) | 4.0443 | (64,283,767) | 6,915,417 | 28,638,773 | 4.1413 |

| | Total LNG Injections | | | | Total LNG Withdrawals | | | | Adjustments To Tank Level | | | | Total LNG Balance | | | |
|-----------|----------------------|-----------------|----------|--------------|-----------------------|--------------------|-------------|----------|---------------------------|-------|-----------|-----------|-------------------|-----------|------------|--------------|
| | Gross DTs # | Used/Injected # | Price \$ | Commodity \$ | Injection/Charge \$ | W/D Chg/Exp Def \$ | DTs # | Price \$ | Amount \$ | DTs # | Amount \$ | DTs # | Amount \$ | DTs # | Amount \$ | Wtd. Cost \$ |
| | | | | | | | | | | | | | | | | |
| Beg. Bal. | | | | | | | | | | | | | | | | |
| Apr-13 | 410,551 | (25,931) | 4.0000 | 1,642,204 | 12,947 | 57,030 | (164,041) | 4.3482 | (713,282) | 0 | 0 | 1,817,542 | 8,855,585 | 2,038,121 | 9,855,585 | 4.8723 |
| May-13 | 428,947 | (20,677) | 4.1800 | 1,792,998 | 13,014 | 26,159 | (27,586) | 5.0202 | (138,486) | 0 | 0 | 2,038,121 | 9,854,484 | 2,418,805 | 11,548,169 | 4.8351 |
| Jun-13 | 415,110 | (20,010) | 4.1800 | 1,735,160 | 12,594 | 25,625 | (29,096) | 5.0357 | (146,518) | 0 | 0 | 2,418,805 | 11,548,169 | 2,784,809 | 13,175,030 | 4.7743 |
| Jul-13 | 428,947 | (20,677) | 3.7300 | 1,599,972 | 13,014 | 26,960 | (26,522) | 5.0557 | (134,086) | 0 | 0 | 2,784,809 | 13,175,030 | 3,166,557 | 14,680,890 | 4.7310 |
| Aug-13 | 428,947 | (20,677) | 3.4500 | 1,479,867 | 13,014 | 27,166 | (46,210) | 5.0892 | (235,172) | 0 | 0 | 3,166,557 | 14,680,890 | 3,528,617 | 15,965,765 | 4.6362 |
| Sep-13 | 489,191 | (16,008) | 3.5745 | 1,748,596 | 10,075 | 108,093 | (14,429) | 5.1166 | (73,827) | 0 | 0 | 3,528,617 | 15,965,765 | 3,987,371 | 17,758,702 | 4.5247 |
| Oct-13 | 117,360 | 0 | 3.5468 | 416,257 | 0 | 195,075 | (35,917) | 4.9908 | (179,253) | 0 | 0 | 3,987,371 | 17,758,702 | 4,068,814 | 18,190,781 | 4.4537 |
| Nov-13 | 27,546 | (1,206) | 3.5000 | 96,411 | 840 | 30,352 | (189,309) | 4.2180 | (798,500) | 0 | 0 | 4,068,814 | 18,190,781 | 3,905,845 | 17,519,884 | 4.4708 |
| Dec-13 | 133,212 | (3,472) | 4.2333 | 563,933 | 2,323 | 12,619 | (311,975) | 4.2393 | (1,322,551) | 0 | 0 | 3,905,845 | 17,519,884 | 3,723,610 | 16,776,208 | 4.4856 |
| Jan-14 | 230,410 | (9,918) | 4.4517 | 1,025,712 | 113,303 | 56,478 | (1,290,680) | 4.3644 | (5,633,083) | 0 | 0 | 3,723,610 | 16,776,208 | 2,653,422 | 12,338,618 | 4.5054 |
| Feb-14 | 99,554 | (2,121) | 5.3191 | 529,533 | 1,446 | 37,063 | (591,002) | 4.5305 | (2,677,558) | 0 | 0 | 2,653,422 | 12,338,618 | 2,159,853 | 10,229,102 | 4.6501 |
| Mar-14 | 347,963 | (14,934) | 4.7538 | 1,654,149 | 25,213 | 19,203 | (1,061,546) | 4.5863 | (4,868,566) | 0 | 0 | 2,159,853 | 10,229,102 | 1,431,336 | 7,059,101 | 4.7360 |
| | 3,557,738 | (155,631) | 4.0151 | 14,284,792 | 217,783 | 621,823 | (3,788,313) | 4.4666 | (16,920,882) | 0 | 0 | 1,431,336 | 7,059,101 | | | |

PIEDMONT NATURAL GAS COMPANY, INC.
RISK MANAGEMENT - HEDGING PROGRAM
(GAIN)/LOSS RECOGNIZED AND OTHER EXPENSES
FOR TWELVE MONTHS ENDED MARCH 31, 2014

| Month | (Gain) or Loss | Trading Fees | (Gain) or Loss Recognized | Interest | RMI Fee | Real-Time Pricing Fee | Net (Gain) or Loss | Cumulative (Gain) or Loss |
|-------------------|-------------------|-----------------|------------------------------|----------|------------|--------------------------|-----------------------|------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Beginning Balance | | | | | | | | 39,345,347 |
| Apr-13 | 0 | 0 | 0 | 0 | 791 | 14 | 805 | 39,346,152 |
| May-13 | (33,920) | 0 | (33,920) | 0 | 790 | 14 | (33,116) | 39,313,036 |
| Jun-13 | 50,270 | 512 | 50,782 | 0 | 0 | 15 | 50,797 | 39,363,833 |
| Jul-13 | 110,830 | 1,162 | 111,992 | 0 | 791 | 14 | 112,797 | 39,476,630 |
| Aug-13 | 183,540 | 1,922 | 185,462 | 0 | 790 | 14 | 186,266 | 39,662,896 |
| Sep-13 | 46,280 | 496 | 46,776 | 0 | 791 | 15 | 47,582 | 39,710,478 |
| Oct-13 | 134,474 | 1,442 | 135,916 | 0 | 790 | 14 | 136,720 | 39,847,198 |
| Nov-13 | 27,470 | 294 | 27,764 | 0 | 790 | 14 | 28,568 | 39,875,766 |
| Dec-13 | (207,030) | 635 | (206,395) | 0 | 1,581 | 15 | (204,799) | 39,670,967 |
| Jan-14 | (597,460) | 961 | (596,499) | 0 | 0 | 17 | (596,482) | 39,074,485 |
| Feb-14 | (455,420) | 806 | (454,614) | 0 | 746 | 16 | (453,852) | 38,620,633 |
| Mar-14 | (53,080) | 233 | (52,847) | 0 | 746 | 15 | (52,086) | 38,568,547 |
| | (794,046) | 8,463 | (785,583) | 0 | 8,606 | 177 | (776,800) | |